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PACOM FOR ADMIRAL KEATING
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TAGS: [MARR](#) [MOPS](#) [PREL](#) [PGOV](#) [PP](#)
SUBJECT: CORRECTED COPY: PAPUA NEW GUINEA SCENESETTER FOR THE VISIT
OF ADMIRAL KEATING, NOVEMBER 2008

REF: PORT MORESBY 219

CLASSIFIED BY: Leslie Rowe, Ambassador, U.S. Embassy Port
Moresby, Department of State.
REASON: 1.4 (a), (b), (d)

/ / / / / / / / THE FOLLOWING CABLE IS A CORRECTED VERSION OF
PORT MORESBY 219. IT HAS BEEN CORRECTED FOR CONTENT, AND TO
INCLUDE SECTIONS THAT WERE DROPPED IN THE ORIGINAL TRANSMISSION.
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11. (SBU) SUMMARY: Embassy Port Moresby looks forward to
welcoming you to Papua New Guinea (PNG). Your visit presents an
opportunity to follow up on the success of Pacific Partnership
2008 and to review where the PNG's potential engagement in
international PKO. Though it is increasing ties to Asia, PNG
sees itself as a Pacific nation and potentially the most
important one. The lack of true political parties and of
leaders with a national outlook has undercut governance and
steadily eroded the delivery of services. Your visit also
provides a chance to reinforce the Mission's priorities of
democracy, good governance and commitment to providing
humanitarian assistance. END SUMMARY

CURRENT U.S. ROLE

12. (SBU) Given the U.S. position in the world, and the fact that
we are not seen as self-interested, the USG is in a position to
reinforce democratic efforts through modest engagement. PNG's
recent foreign policy thrust has been to move out from under
Australia's shadow, exemplified by increasing links with China.

13. (SBU) A stable and relatively prosperous PNG is
extraordinarily important for stability in the South Pacific.
For the medium term however, PNG will be beset by numerous
difficulties - including an emerging HIV epidemic which rivals
those in some of the hardest hit African countries. Through the
President's Emergency Plan for Aids Relief, USAID has increased
its program here by 700 percent. The Centers for Disease
Control has also established a technical assistance program.

14. (U) Pacific Partnership 2008 has proven to be the most
important, effective humanitarian mission and public diplomacy
goodwill event mounted by any nation in Papua New Guinea in the
past year. It moved U.S. interests forward in dramatic fashion,
and the joint assistance efforts by Pacific Partnership
personnel from the U.S., Papua New Guinea, Australia, Canada,
Chile, India, Korea and New Zealand substantively enhanced
regional security cooperation. The mission opened doors, cured
ills, saved lives and gave hope to thousands in Port Moresby,
Central and Oro Provinces. Even six weeks after the USNS Mercy
weighed anchor and departed Port Moresby, Pacific Partnership

2008 still reverberates in the form of sustained media coverage and continuing expressions of appreciation in Papua New Guinea.

PNG DEFENCE FORCE

¶15. (C) Legislation authorizing PNGDF participation in peacekeeping operations will not happen this calendar year. Referred to in the press as the "International Obligations Bill," the PKO legislation is currently in committee undergoing amendments and revisions. It may be part of a larger legislative package calling for the establishment of a PNG military reserve force, which could pose further delays. The best-case consensus on the timing of authorizing PKO legislation is now February-March 2009.

¶16. (C) Civilian political leaders have called for a rapid PNGDF expansion from 2,000 to as many as 5,000 personnel. The current PNGDF training intake capacity is limited at 200 personnel every six months, or 400 per year. The ability of PNGDF to increase the introductory training capacity is not expected to happen soon. PNGDF leadership recently recommended to the government that PNGDF personnel not exceed 3,200 in the near term. PNG has five female officers (doctors and legal officers). As part of its expansion plan, the PNGDF will increase its number of female soldiers, specifically as office support personnel and as drivers.

BACKGROUND

¶17. (SBU) Papua New Guinea is by far the largest Pacific Island nation and, with abundant resources, potentially the richest one. The government depends largely on mining and forestry revenues, bolstered by income tax revenues from largely Australian expatriate businesses. Together, these have served more to enrich the political elite than to provide social services or infrastructure. There are no large-scale local businessmen, but numerous politicians are relatively well off. Since independence in 1975, PNG has suffered from a series of shifting coalitions and rotating governments. As senior civil service jobs are filled through patronage, this has undermined continuity of policy and services.

¶18. (SBU) The nation began in 1975 with a well-trained civil service and an effective police force adequately funded through the tax base and substantial mining revenues. This hopeful situation pertained for some time, but substantial deterioration became obvious by the early '90s. Assertion of traditional land ownership rights cut into mine revenues and exploration. With inadequate resources, training and leadership, the police force became ineffective, corrupt and often abusive. Growing unemployment and migration from traditional villages fed a steady rise in violent crime. The government civil service remained relatively well funded, though undercut by patronage. Eventually, lower revenues and rapid population growth overwhelmed government services, including education and health.

ECONOMY

¶19. (U) Currently high commodity prices, together with two years of prudent fiscal management under former Finance Minister Bart Philemon have helped to shore up the economy after a decade of deterioration. Changes in royalty and corporate tax rates have increased mineral and hydrocarbon exploration, though it will be some years before this can translate into production. The IMF projects growth rates for the next five years of just under 4%, which should reverse years of steady per-capita income loss due to the 2% population growth.

¶10. (SBU) Exxon Mobil, as the largest shareholder with 41% ownership, will develop and operate the PNG-LNG project, a USD 10-13 billion investment to be expended between now and the project's completion in early 2014. The investment is by far

the largest in PNG's history and has the potential to propel PNG's economy, currently dependent on foreign aid, to complete independence, with revenues to the GPNG and landowners expected to exceed USD one billion per year for the thirty year projected life of the project. A major concern is transparency and whether corruption in the government would prevent these revenues from reaching local health and education sectors where it could make the greatest impact.

POLITICS

¶11. (U) With the exception of the courts, western political institutions have had difficulty taking root in PNG soil. The country is formed from several thousand traditional communities speaking over 800 distinct languages. Previously, with 109 members of Parliament and a first-past-the-post electoral system, MPs were generally elected with the support of only their close communities. Often in the past, an MP had the support of less than 20% of his electorate and did not consider the other 80% as constituents. Election reform brought a limited preferential voting system to PNG for the 2007 elections, which were far less violent and more representative than any since independence.

¶12. (U) Political parties in PNG were also unlike their western counterparts. They tended to be coalitions of MPs already elected in their own right. Though some figures emerged as relatively dominant, they could not enforce party discipline or personal loyalty. Party affiliation meant little to election prospects and members had little reason to work together to boost party chances in the future. Limited preferential voting is changing the political landscape; following the July 2007 elections, Michael Somare's National Alliance Party (NA) invited as many newly-elected MPs as it could entice and sequestered them with party loyalists at a party retreat.

¶13. (U) Sir Michael Somare was elected Prime Minister in August 2007, becoming the longest-serving parliamentarian in the Commonwealth. PM Somare was the first to complete a five year term since independence and he hopes to complete a ten year term. Somare celebrated his 40th year in politics in March 2008.

¶14. (U) The historical political system has produced many members of parliament designated as national leaders, but with little incentive to have a national outlook. This goes a long way to explain the factional political squabbling that often consumes Port Moresby while government services and national infrastructure steadily deteriorate. The literate public has deservedly low expectations of government, and the government has been notoriously impervious to pressure from the electorate.

¶15. (U) Australian think-tanks regularly produce reports labeling PNG as a failed state. PNG faces many challenges, but it is no failed state. The government may not be able to deliver services, but the country does not harbor large forces opposed to the government and there is little prospect of the mass deprivation, large-scale refugee flows and sheltering of foreign terrorists that form the modern nightmare of the failed state.

THE ROLE OF CHINA

¶16. (C) PNG has recognized the People's Republic of China since 1976. China is working with the PNGDF on military training programs. A Chinese Defense Attache is expected to join the resident DATT group (Australia, New Zealand, Indonesia) in 2009.

¶17. (C) China publicizes its aid program widely, emphasizing the fact that it is given without governance performance conditions. While dwarfed by the size of the Australian aid program, the People's Republic of China is now reported to have the second largest foreign aid program in Papua New Guinea. As more Chinese citizens move to PNG legally and illegally, largely for economic opportunity, the Chinese government has also increased

its presence and visibility.

¶18. (C) In recent years, China has provided funding and technical assistance for high visibility construction projects, including an indoor sports complex in Port Moresby. China is increasing its support for agricultural development projects. The Chinese government also funded a USD7 million cold fish storage facility in Lai in 2006, and broke ground on the USD one billion Ramu Nickel mine. It is estimated that more than 80% of PNG's log exports go to China. Bilateral trade between China and Papua New Guinea approached USD500 million in 2006. China also provides a small number of scholarships to PNG citizens for study in China.

¶19. (C) Given the significant exports of raw materials to China and the scale of Chinese investments in PNG, recognition of China by PNG and the PNG-China relationship appears to be stable. There are no political parties or other factions advocating a change in recognition status.

WHAT YOU CAN EXPECT

¶20. (SBU) You can expect your interlocutors to be articulate and well informed. They will be supportive and interested in working cooperatively with the U.S. Your visit will continue to reinforce the Mission's priorities of democracy and good governance, as well as strengthening our defense and security relationship.

¶21. (SBU) We look forward to your visit and stand ready to do everything we can to make your time in Papua New Guinea as productive as possible.

ROWE